

**Testimony on House Bill 2517
Tire Tax Reduction
to
House Energy and Environment Committee
Presented by Gary Mason, Deputy Secretary for Environment, KDHE**

February 8, 2016

Good morning Chairman Hedke and members of the committee, I am pleased to appear before you today to discuss House Bill 2517 – a bill that would lower taxes on every citizen of the state who purchase new tires.

I am Gary Mason, Kansas Department of Health and Environment (KDHE) Deputy Secretary for Environment. The intent of HB2517 is to eliminate a tire recycling grant program that is currently financed by a “new tire” tax. The bill, as proposed, will eliminate the funding of used tire recycling grants, but keeps the operational dollars necessary to manage the registration process of haulers and recyclers along with funds to cleanup abandoned tire sites when found.

History of the Program

Over a period of a few decades, lasting into the late 1980’s, like many other states, Kansas had a very significant used tire disposal problem. It was common for tires to be seen in road ditches, ravines, creek beds, farmland, or find their way into a dump fire. As a result, in 1990 Governor Finney signed into law a bill requiring citizens of Kansas that purchase new tires to pay a \$0.50 per tire excise tax (K.S.A. 65-3424d). Companies who sell tires were then required to collect this fee and remit to the Kansas Department of Revenue. All of these funds were then deposited into a dedicated Waste Tire Management Fund.

In the early years of the program, much of the dollars collected (roughly \$1.2-1.3 million/year) went to local counties to pay for their collection and disposal of tires. From 1993 to 2001 over 11 million tires were collected and disposed of as a result of this grant program. Also during this time, dollars were invested in educating the public and businesses on proper handling of used tires.

In 2001, the tax was reduced from \$0.50 to \$0.25 and revenue was redirected from funding county by county collection and disposal of abandon tire sites to a program that further encouraged a more sustainable tire management program. This included providing grant money for two purposes:

- Supporting entities that construct a used tire recycling facility. Both for profit and non-profit entities were eligible.
- Supporting municipalities and schools that purchase products made from recycled tires.

The funding also supported:

- Permitting and registration of entities that transport, dispose or recycle tires; and
- Cleanup of any additional abandon tire sites that are discovered.

This structure still continues today.

Now, I would like to speak to the success of the program. As previously stated, over the eight year period from 1993 to 2001, KDHE collected and disposed of over 11 million tires. In contrast, in the last eight years, KDHE has collected and disposed of approximately 140,000 tires. Over the past two years, KDHE has averaged approximately 1000 per year. This is a 99% reduction in the amount of tires collected each year. The program has been successful. We have helped eliminate the problem and created a climate where tires are now being properly managed. As you can see, we are in a completely different place today and; therefore, I am asking for your consideration of several changes to the existing law.

Proposed Law Changes

65-3424d. Vehicle tire disposal; tax imposed on sale of new tires.

In addition to any other tax imposed upon the retail sale of new tire, there is hereby imposed on retail sales of new vehicle tires (excluding innertubes), including new tires mounted on a vehicle sold at retail for the first time, an excise tax of ~~\$0.25~~ **\$0.15** per vehicle tire. Such tax shall be paid by purchaser of such tires and collected by the retailer thereof.

(The current \$0.25 per tire generates approximately \$700,000 per year in revenue. Over the past several years these dollars roughly fund 50% of program administration costs and removal actions, while the remainder has been allocated to grants).

(b) The tax imposed by this section collected by the retailer shall become due and payable as follows: When the total tax for which any retailer is liable under this act does not exceed the sum of \$80 in any calendar year, the retailer shall file an annual return on or before January 25 of the following year; when the total tax liability does not exceed \$1,600 in any calendar year, the retailer shall file returns quarterly on or before the 25th day of the month following the end of each calendar quarter; when the total tax liability exceeds \$1,600 in any calendar year, the retailer shall file a return for each month on or before the 25th day of the following month. Each person collecting the tax imposed pursuant to this section shall make a true report to the department of revenue, on a form prescribed by the secretary of revenue, providing such information as may be necessary to determine the amounts of taxes due and payable hereunder for the applicable month or months, which report shall be accompanied by the tax disclosed thereby. Records of sales of new tires shall be kept separate and apart from the records of other retail sales made by the person charged to collect the tax imposed pursuant to this section in order to facilitate the examination of books and records as provided herein.

(c) The secretary of revenue or the secretary's authorized representative shall have the right at all reasonable times during business hours to make such examination and inspection of the books and records of the person required to collect the tax imposed pursuant to this section as may be necessary to determine the accuracy of such reports required hereunder.

(d) The secretary of revenue is hereby authorized to administer and collect the tax imposed by this section and to adopt such rules and regulations as may be necessary for the efficient and effective administration and enforcement of the collection thereof. Whenever any person liable to collect the taxes imposed hereunder refuses or neglects to pay them, the amount, including any penalty, shall be collected in the manner prescribed for the collection of the retailers' sales tax by K.S.A. 79-3617, and amendments thereto.

(e) The secretary of revenue shall remit all revenue collected under the provisions of this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the waste tire management fund.

(f) Whenever, in the judgment of the secretary of revenue, it is necessary, in order to secure the collection of any taxes, penalties or interest due, or to become due, under the provisions of this act, the secretary may require any person charged with the collection of such tax to file a bond with the director of taxation under conditions established by and in such form and amount as prescribed by rules and regulations adopted by the secretary.

(g) The secretary of revenue and the secretary of health and environment shall cooperate to: (1) Ensure that retailers required to collect the tax imposed by this section collect such tax on sales of tires for all vehicles, as defined by K.S.A. [65-3424](#), and amendments thereto; and (2) develop and distribute to tire retailers educational materials that emphasize appropriate waste tire management practices.

History: L. 1990, ch. 319, § 5; L. 1991, ch. 197, § 4; L. 1992, ch. 50, § 1; L. 1993, ch. 52, § 1; L. 1996, ch. 173, § 4; L. 2001, ch. 5, § 246; L. 2001, ch. 167, § 4; July 1.

65-3424g. Waste tire management fund

(c) Moneys in the waste tire management fund shall be used only for the purpose of:

- (1) Paying compensation and other expenses of employee personal to carry out duties of the Secretary pursuant to K.S.A. 65-3424 through 65-3424h, and amendments thereto, ~~but not more than \$250,000;~~

(Deleting last phrase of c1 will provide flexibility in funding staff when situations warrant)

- (2) Actions by the department to implement interim measures to minimize nuisances or risks to public health or environment that are created by waste tire accumulation, until the responsible party can fully abate the site or until a state clean-up occurs pursuant to K.S.A. 65-3424k, and amendments thereto;
- (3) Actions by the department to remove and dispose or on-site stabilization of waste tires which have been illegally accumulated or illegally managed, when the responsible party is unknown or unwilling or unable to perform the necessary corrective action;
- ~~(4) the costs of using contractors to provide: (A) Public education regarding proper management of waste tires; (B) technical training of persons on the requirements of solid waste laws and rules and regulations relating to waste tires; and (C) services described in subsection (i) of K.S.A. 65-3424k, and amendments thereto;~~
- ~~(5) grants to public or private entities for up to 50% of the cost to start up or enhance projects to recycle waste tires or recover energy through waste tire combustion; and~~
- ~~(6) grants to local units of government and any public or private school for grades kindergarten through twelve to pay up to 50% of the costs to purchase tire derived products made from recycled waste tires. As used in this section, "tire derived products" means athletic field surfacing, playground cover, horticulture products and molded or extruded rubber products made from recycled waste tires.~~

(Deleting 4 through 6 eliminates our ability to fund grants.)

~~(d) All grant applications received for waste tire recycling grants shall be reviewed by the solid waste grants advisory committee established pursuant to K.S.A. 65-3426, and amendments thereto. Waste tire recycling grants shall be subject to the requirements set forth in subsection (g) of K.S.A. 65-3415, and amendments thereto, related to the misuse of grant funds with the exception that any grant funds recovered by the secretary shall be deposited to the waste tire management fund. Waste tire management funds shall be used only for waste tire recycling grants. Waste tire grants shall not be awarded, nor shall waste tire funds be disbursed to a grant recipient, if the department determines that the grant applicant or recipient is operating in substantial violation of applicable environmental laws or regulations administered by the department.~~

(Deleting "d" removes the reference to utilize the Solid Waste Grants Advisory Committee to process grants)

~~65-3426. Solid waste grants advisory committee. (a) There is hereby established within the department of health and environment the solid waste grants advisory committee, which shall be composed of eight members as follows:~~

~~(1) Seven members appointed by the governor, two of whom shall represent the interests of regional solid waste management entities, two of whom shall represent the interests of counties, one of whom shall represent the interests of cities, one of whom shall represent the interests of waste tire generators or handlers and one of whom shall represent the interests of the private sector;~~

~~(2) the secretary of health and environment or the secretary's designee.~~

~~(b) Appointive members of the solid waste grants advisory committee shall serve terms of two years. The secretary of health and environment or the person designated by the secretary shall serve as chairperson of the advisory committee.~~

~~(c) Members of the solid waste grants advisory committee shall receive amounts provided by subsection (e) of K.S.A. 75-3223, and amendments thereto, for each day of actual attendance at any meeting of the advisory committee or any subcommittee meeting authorized by the advisory committee.~~

~~(d) The secretary of health and environment shall provide technical support related to the activities of the solid waste grants advisory committee, including but not limited to establishing project selection criteria, performing technology evaluations, assessing technical feasibility and determining consistency with the statewide solid waste management plan, the applicable county or regional solid waste management plan and regional activities.~~

~~(e) In accordance with schedules established by the secretary of health and environment, the solid waste grants advisory committee shall meet to review competitive grant applications submitted pursuant to subsection (b) of K.S.A. 65-3415, and amendments thereto. The advisory committee shall establish a project priority list for each fiscal year based upon the availability of funds as estimated by the secretary and shall make recommendations regarding the selection of grantees and the disbursement of moneys.~~

~~History: L. 1995, ch. 221, § 4; L. 2001, ch. 126, § 8; L. 2003, ch. 130, § 21; July 1.~~

(Removal of this section eliminates the advisory group that makes the recommendations to KDHE on which grants to fund).

Concluding Remarks

In 1990, the State of Kansas, like many other states, had a tremendous problem with the management of used tires. It was common place for these to end up in road ditches, ravines, creek beds, farmland, or the infamous tire fire pile. At that time, our goal was to change the paradigm via carrot and stick, by regulating bad behavior and encourage the good behavior. The carrot approach included education, technical training, grants to encourage people to start a recycling business, and grants to encourage people to purchase recycled products.

Today, we are in a different place. Tire fires are not common. Road side/creek bed tire dumps are not near as prevalent. We have several businesses in Kansas that are in the tire recycling industry, we have many products offered in the marketplace made from used tires, we even have a recycler that generates fuel from used tires. There are monofills that focus strictly on tire disposal. The program worked. We encouraged the correct behavior and the citizens and businesses of Kansas are doing a great job at managing waste tires. Like many of the other grant programs we have initiated over the years, we initiate them to help influence behavior and then we bring them to a close when these have been achieved.

This program was beneficial during a time when it was needed, but we believe the market has matured and it is not our role to sustain the program in perpetuity. However, most importantly, our bill retains the parts of our program that are core to our mission of protecting public health and the environment by maintaining the permit/registration program, abandoned site cleanups and enforcement.

Thank you for the opportunity to present to you today and I am available to answer any questions.